

**Public-Public Partnerships (PUPs) as
a catalyst for capacity building and
institutional development:
Lessons from Stockholm Vatten's
experience in the Baltic region**

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The concept of Public-Public Partnerships (PUPs)

Narrowest definition refers to any collaboration between two or more public authorities; definition broadened to include partnerships between public authorities and CBOs/NGOs

For the purpose of this paper we look at a specific category of PUPs: not-for-profit arrangements between a public water operator in one country and a public service provider in another, aimed at building capacity through training and technical assistance

Trends in policy of water reform: PPPs vs. PUPs

- **In the past 15-20 years policy focus was on promoting PPPs; public sector reform and PUPs overlooked despite their developmental potential**
- **Unsatisfactory results of PPPs and arguments explaining private failure in water sector:**
 - **High transaction costs**
 - **Contract failure (Braadbaart, 2001);**
 - **Dynamic interest-seeking**
 - **Knowledge treated as a private good**
 - **Lack of socio-political legitimacy**

Stockholm Vatten's (SVAB) approach to PUPs in Kaunas, Lithuania and Riga, Latvia

- **Joint international effort to clean up the Baltic Sea, international and national funding (from both supporting and host country)**
- **Sida funding, national mandate and municipal commitment behind SVAB's involvement**
- **Structure: a) preliminary phase (no > 1 year); b) implementation of reform and investment programmes (4-5 years)**
- **Provision of long and short term experts (SVAB staff with some external recruiting), with Stockholm-based Home Office coordinating exchanges and providing administrative support**

SVAB's support and results obtained by the two PUPs

- **SVAB's support**: a) reform of institutional framework at municipal level); b) organisational change (in-house restructuring & CDP + investment programme); c) HRM (training across the board)
- **Objectives**: improve management, operational efficiency, FCR and institutional development, “transforming the local twinning partner into an autonomous, self-financing and self-governing company without municipal or governmental subsidies in the future”
- **Results**: positive across the board; investment plans realised within budget and timely; investment finance also tapped after end of PUPs on a non-sovereign basis

Discussion of findings

- **Politics (mandate), public sector ethos (organisational pride) and not-for-profit relationship (maximum deployment of resources) at the heart of success**
- **Role of trust (main catalyst for change) and implications (utility-to-utility relationship and credibility of advice; time required; competition unlikely to exploit potential of trust)**
- **Transparency and accountability (systematic reporting to and direct supervision by funders + external assessment of both PUPs)**

Discussion of findings

- **Importance of institutional and organisational development undertaken in parallel to capacity development (accountability networks and knowledge; NPM + local hierarchical and social values)**
- **Supporting partner acts as “model”, but funders also have influence (positive and/or negative)**
- **Role of donors and IFIs: central in supporting and shaping process (e.g. via conditionality on “good governance”, not ownership); however, note question of affordability and pricing**

Discussion of findings

- **Crucial importance of training: across the board (directed at municipal authorities, management and staff - knowledge as a public good); permanent workgroups established for ad-hoc training; training of PIU and long term capacity in tapping investment finance; first-hand experience of public partner**
- **Cost-effectiveness of PUPs: project costs equalling 2.2% and 2.7% of US\$ 100m+ investment programmes + value of long term capacity (= US\$???)**

Addressing sustainability and scaling up requirements (in view of UNSGAB mechanism for WOPs)

- **Outcome of institutional change is highly dependent on local context**, so potential in promoting South-South and domestic PUPs, not only North-South partnerships
- **Enhance capacity for capacity development:** importance of developing PUPs as well-structured, professional projects with clear objectives and adequate resources; importance of costing and funding all resources without relying solely on employees' commitment

Addressing sustainability and scaling up requirements (in view of UNSGAB mechanism for WOPs)

- **Address retainment of transferred capacity aiming at long term impact via combination of context relevant solutions among the following:**
 - **Involve local community and civil society (entrench locally acceptable and relevant knowledge through highly interconnected accountability networks)**
 - **Offer competitive remuneration and incentive packages to management and staff**
 - **Perpetuate knowledge transfer within the beneficiary organisation (via ToTs and permanent, multi-level Personnel Training Programmes beyond completion of a given PUP)**

The following slides were not presented at the symposium due to time constraints.

The slides that were left out, are not removed.
See the next slides -
[organising committee]

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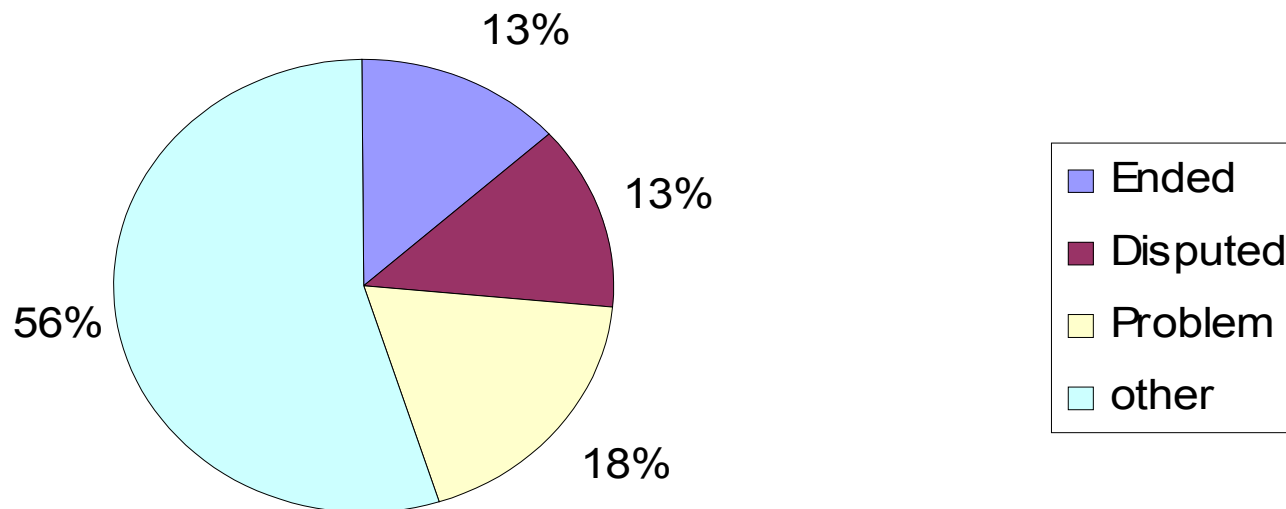
Further material to support discussion

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Terminations, disputes and problems with private contracts

Private water operators: percentage ended, disputed
and problematic (World, cities >1m pop)

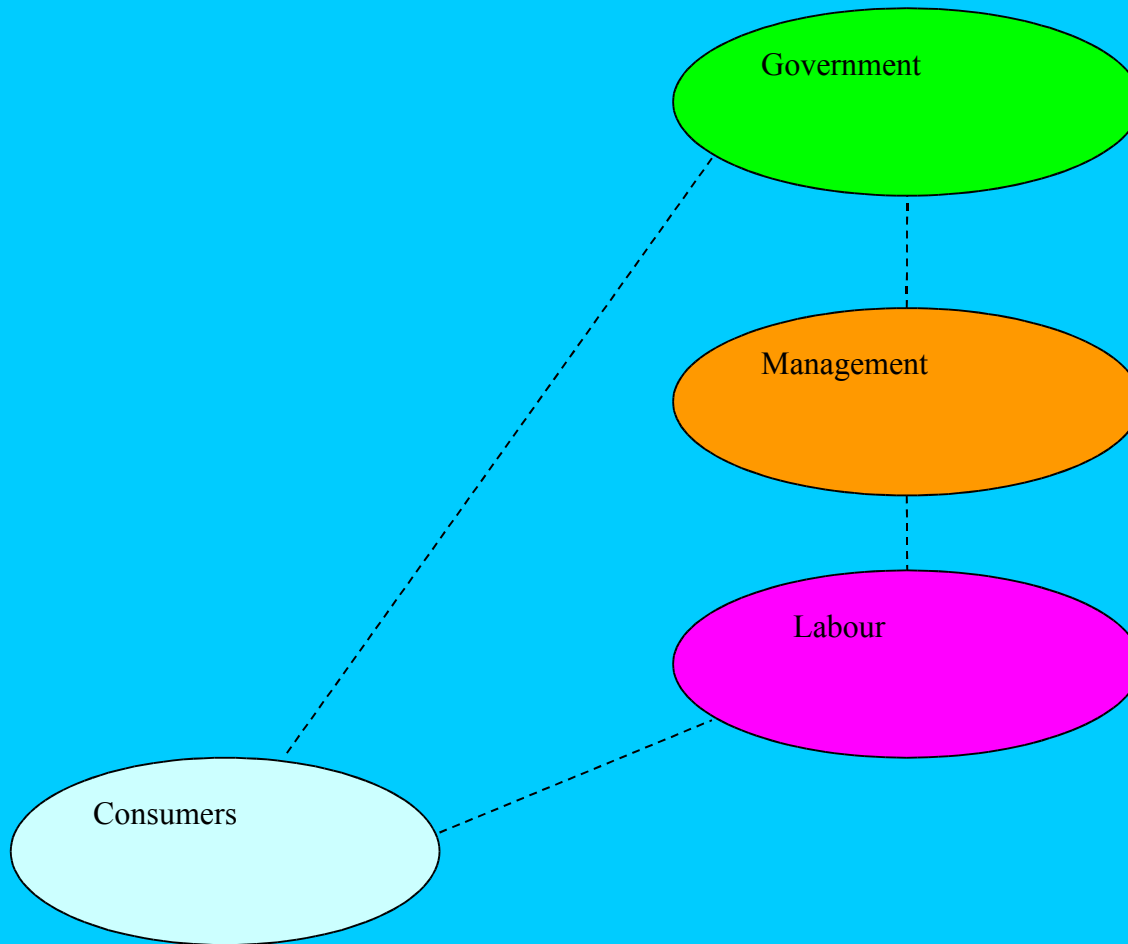


Networks and Knowledge: Ownership matters

- **Ownership of operations and institutional framework affect accountability networks structure, knowledge transfer and, in turn, quality of decision making**
- **Efficient knowledge transfer is dependent on accountability and incentives not to indulge in interest seeking**
- **Three types of networks depending on institutional framework, accountability and incentives:
a) geodesic network; b) network with monopolistic hub; c) highly-interconnected network**

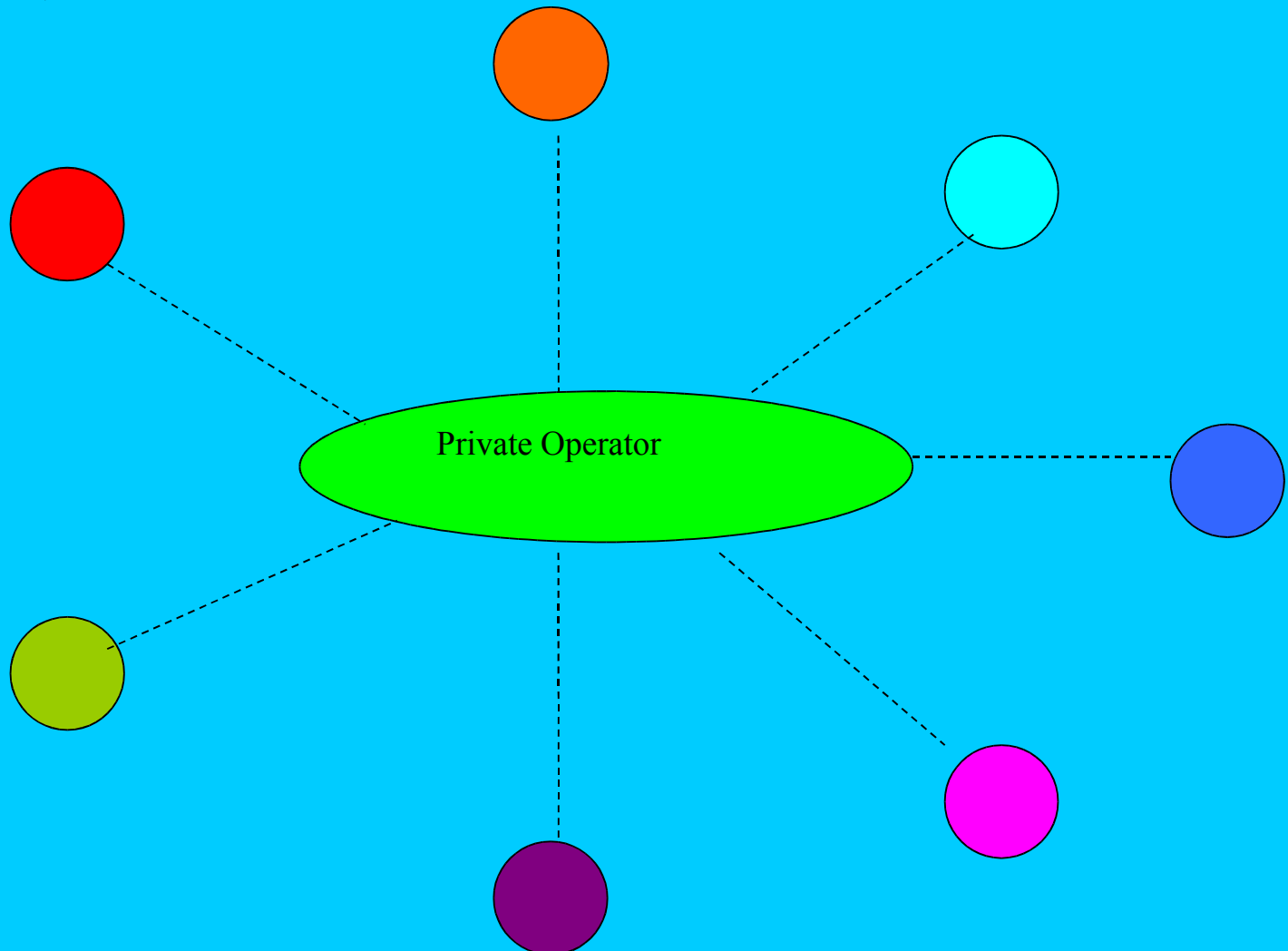
Public ownership, geodesic accountability network and inefficient knowledge transfer

E.g. PPWSA prior to 1993

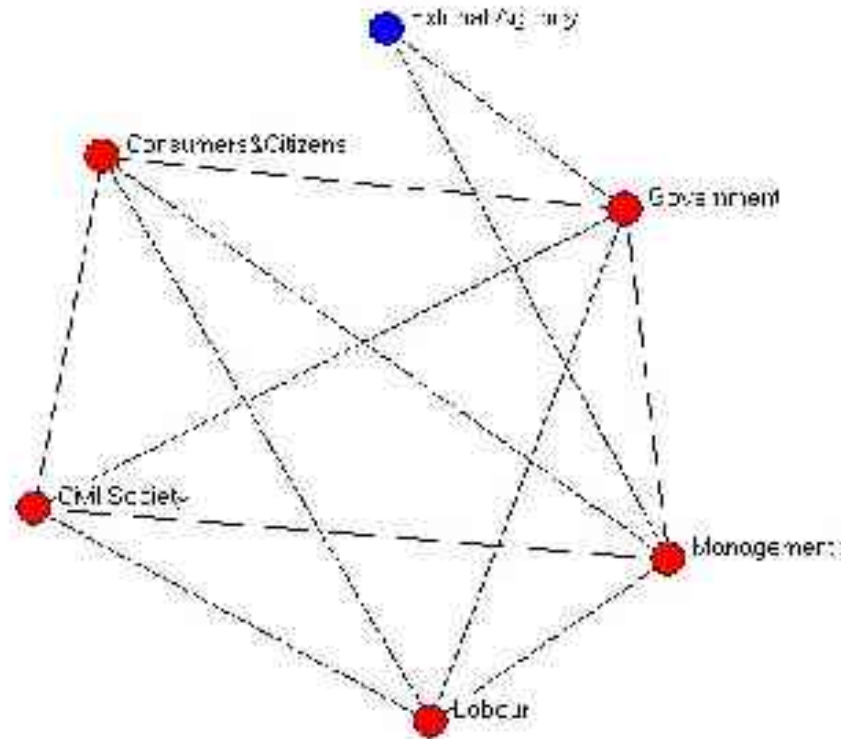


Private operators as monopolistic hubs and inefficient knowledge transfer

E.g. Aguas Argentinas, 1993-2002



Public operations, highly integrated accountability networks and efficient knowledge transfer (e.g. DMAE, 1961-2001)



Strengthening Public Water Operations: Models

- **In-House Restructuring: Ownership and management remain 100% in public hands; change relate to operating autonomy and practices (e.g. Porto Alegre)**
- **Public-public Partnerships (PUPs): capacity transferred from public to public enterprise at no cost to local community; no profits taken out of system; understanding of public operations; no conflict of interest between partners (e.g. Baltics)**

Potential of In-House Restructuring: cases

- **Africa: ODI, South Africa; NamWater, Namibia**
- **Asia: Phnom Penh, Cambodia; NWSDB, Sri Lanka; HMWSSB, Hyderabad, India**
- **Latin America: SANAA, Honduras; Sabesp, São Paulo and DMAE, Porto Alegre, Brazil**
- **CEE: Debreceni Vizmu, Hungary; Polish cities and access to EBRD/EIB finance; Vilnius, Lithuania**

WB-funded PUP in Lilongwe, Malawi

- **World Bank funded two long-running capacity-building projects in 1980s - UK public sector partner**
- **Project successful - model for national approach to managing urban water systems:**
 - **Improved access to water**
 - **Effective management support and training program**
 - **Increased efficiency of operations**
 - **Unaccounted-for-water down to 16%**
 - **Reduced labour costs**
 - **Improved response time**

PUPs: other cases

- **Dutch WMD Drenthe in Ambon, Indonesia**
- **Amsterdam Water in Alexandria, Egypt**
- **SANAA and support to rural water systems in Honduras (*juntas de agua, patronatos, NGOs*)**
- **Local Water Utilities Administration assisting Water Districts in the Philippines**